

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

August 25, 2005

A monthly meeting of the Board of Directors of the Small Business Loan Fund Corporation was held in public session at the offices of the Rhode Island Economic Development Corporation, One West Exchange Street, Providence, Rhode Island on August 25, 2005 at approximately 9:42 a.m.

Present were Board Members: Raymond Fogarty (Chair), Edward Rendine, Richard DeMerchant and William Parsons. Also present were: Earl Queenan, Anthony Scolavino, Claudine Tikoian and Alicia Pomfret, staff, along with Natalie Jackvony, SBLFC Counsel, of Moses Afonso Jackvony Ltd. Absent was Maurice Paradis.

Mr. Fogarty called the meeting to order at 9:42 a.m.

Mr. Rendine expressed that the Board would like to extend their well wishes to

Mr. Paradis who is undergoing surgery today.

Adoption of Minutes

The first item to come before the Board for consideration was the adoption of the Minutes. Mr. Rendine made a motion to accept the Minutes prior to discussion of prior approvals, Mr. Parsons seconded, and it was unanimously adopted to accept the Public and Executive Session Minutes for the Meeting of June 23, 2005 and for the Special Meeting held on July 7, 2005.

Executive Minutes

Mr. Fogarty requested a motion to maintain the Executive Session Minutes as confidential. Mr. Parsons made a motion, Mr. DeMerchant seconded, and the motion passed unanimously to maintain the confidentiality of the Executive Session Minutes of the June 23, 2005 Meeting and the July 7, 2005 Special Meeting.

Portfolio Activity / Cash Position / Delinquency Review

Under the review of the Report of Portfolio Activity, at Mr. Rendine's request,

Mr. Scolavino updated the Board on RYLA TELECOMMUNICATIONS. Mr. Rendine asked Mr. Scolavino the status of ROME PACKING CO. Mr. Scolavino replied that the closing was held yesterday. The Fiscal Year End Financial Statements were provided at the closing; WILD OATS had sales of \$900,000. Mr. Rendine asked staff to address ADVANCED TACTICAL SYSTEMS USA, LLC. Mr. Queenan responded that, as advised by the Board, Attorney Moses has sent a denial letter to Mr. Hirak Biswas.

Mr. Rendine requested a report on SLATER DYE WORKS. Mr. Scolavino explained that the Company had secured financing from an outside source, that they will not be utilizing the SBLFC's previously approved \$250,000 loan, and that the Company will be fully prepaying the Rhode Island Industrial-Recreational Building Authority insured debt. There were no questions presented to staff in connection with the Reports of Cash Position and Delinquency.

Messrs. Queenan and Scolavino verbally presented for discussion purposes the concept of the SBLFC's ability to participate and purchase a portion of a senior lender loan through a loan participation inter creditor agreement.

There was discussion concerning the reports to be filed with the United States Economic Development Administration. Staff then conversed with the Board concerning the SBLFC's lending terms. After discussion and debate, a motion was made by Mr. Rendine, was opposed by Mr. DeMerchant, was seconded by Mr. Parsons, and was approved by Mr. Fogarty. The vote carried to change the SBLFC lending provisions as follows:

- 1. That the Maximum Loan Amount shall be \$500,000;**
- 2. That the Rate shall be the Wall Street Prime Lending Rate at the time of closing; and**
- 3. That the Term shall be a maximum of 10 years.**

Messrs. Louis Soares, Assistant Director of Small Business Services, and Victor

Barros, Jr., Urban Development Manager, of the Rhode Island Economic Development Corporation joined the meeting. Mr. Queenan presented a Memorandum dated August 18, 2005 from Victor Barros, Jr., to the Board of Directors regarding a request for the SBLFC to set-aside \$500,000 for the establishment of an EMERGING MICRO-ENTERPRISE GROWTH FUND. Mr. Barros explained to the Board that there is a need in Rhode Island for this type of loan program. The program will build jobs, work with the community, will not be restricted to C Corporations, will be used only for viable businesses, it will fill gaps, and the applicants will work with partners. Mr. Scolavino asked Mr. Barros the status of the remaining funds in the Enterprise Loan Program.

Mr. Barros stated that the remaining \$80,000 may be used for the Micro-Business Loan Fund. Mr. Queenan added that the \$80,000 set-aside will have to be used for businesses that are within an Enterprise Zone. Discussion followed concerning the approval process for the Micro-Business Loans. Following this, a motion was made by Mr. Parsons, was seconded by Mr. DeMerchant, and was unanimously approved to set aside \$500,000 for the establishment of the MICRO-BUSINESS EMERGING GROWTH FUND, the terms of which will be as follows:

1. Loan Amounts for Start-Up Businesses:

Minimum -- \$5,000

Maximum -- \$50,000

2. Loan Amounts for Existing Businesses:

Minimum -- \$5,000

Maximum -- \$75,000

3. Eligible Applicants -- Micro-Businesses with annual gross revenue under \$300,000, not more than 5 employees, and a business plan for growth.

4. Use of Funds -- Start-up, bridge financing for small contractors, working capital, mezzanine, inventory, and machinery & equipment.

5. Minimum Interest Rate -- Wall Street Prime rate fixed at time of closing.

6. Repayment Terms -- 60 months total: 6 months interest only, plus 54 months of principal and interest.

7. Requirements -- Personal Guarantees, Collateralized when applicable, and Participants will be required to work with a Technical Assistance Provider.

8. The loan approval process will be:

Applications up to \$10,000 -- approved by Urban Development Manager

Applications \$10,001 to \$35,000 -- approved by Urban Development Manager and SBLFC staff

Applications \$35,001 to \$75,000 -- require Board approval

At this point, Messrs. Soares and Barros left the meeting.

Upon a motion made by Mr. Parsons, and seconded by Mr. DeMerchant, the Board unanimously voted to adjourn. The meeting concluded at 10:57 a.m.

Respectfully submitted,

Earl F. Queenan, Jr.

Director of Accounting & Finance